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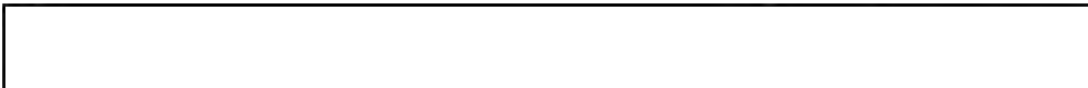
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[Vietnam: Sharp clashes occurred in western III Corps as allied troops on sweep operations encountered several enemy battalions.

On 27 November and again the next day, allied units discovered and engaged Communist forces around Loc Ninh in Binh Long Province. Thus far, some 129 enemy troops have been reported killed in these battles. In Tay Ninh Province, several engagements occurred on 27 and 28 November. Thus far, well over 200 Communists have been reported killed in the fighting.

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Saigon's announcement of the resignation of Information Minister Thien may be merely the first of several cabinet changes. Thien's departure appears to have resulted from a combination of factors, particularly President Thieu's loss of confidence in him as the official spokesman for the government following his handling of an alleged coup attempt in early October. His role as a vocal critic of US policy in connection with the bombing halt and the Paris talks may also have made him a convenient scapegoat once an accord was reached.

Rumors of other cabinet changes have been circulating for some time. The most often mentioned candidate to follow Thien is Foreign Minister Tran Chanh Thanh.

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Pakistan: Persistent antigovernment disturbances in West Pakistan have presented the government with its most open challenge in a decade.

The violence, which began early this month, has so far been confined largely to students, intellectuals, and other disaffected elements of the population. The police, backed up if necessary by the army, presumably can be expected to re-establish an uneasy peace after each outbreak, but the causes of unrest remain and disorder will probably continue--particularly with the approach of elections in September 1969.

The campaign of former air force chief Asghar Khan, who announced his entry into politics last week, is moving into high gear. On 26 November, he received a tumultuous welcome in Peshawar and, despite his efforts to prevent disorders, rioting followed. In the ensuing melee, the USIS library was invaded and some books and equipment were destroyed. This was the first attack on a US installation during the current series of disorders.

Ayub's opponents, meanwhile, have received encouragement from a former chief justice of the East Pakistan High Court, who announced his entry into opposition politics and endorsed Asghar's recent antigovernment charges. This could be a significant breakthrough for those who seek to create a coalition of opposition elements from both wings of the country to contest next year's elections.

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West Germany - NPT: London's ratification of the nonproliferation treaty (NPT) has caused Bonn again to air its uncertainties over the subject.

Bonn believes that the Czechoslovak crisis has reaffirmed that the NPT must allow the Europeans the possibility of moving toward the creation of a European nuclear force without necessarily waiting for full European political union. The Germans want London's assurances that this so-called "European option" will be available under the treaty. They also would like reassurance that ratification of the treaty will not alter NATO strategy, and that they could back out of the treaty if NATO were dissolved.

The British position is still that no European nuclear force is possible short of its formation under a fully federated European state. Thus, this issue, which has been dormant for several months, is likely to remain a major point of contention.

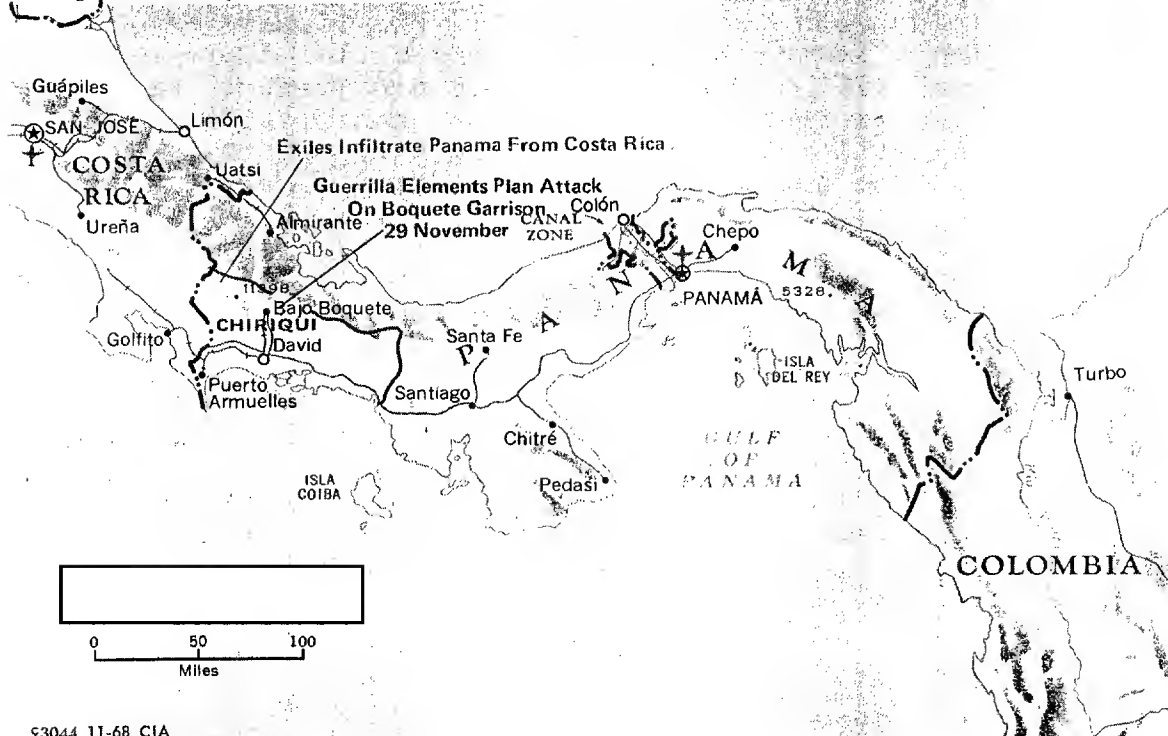
Bonn had hoped that the invasion of Czechoslovakia would lead all the Western powers to defer ratifying the treaty. The Germans had intended to postpone action themselves, possibly until after the parliamentary elections next fall, but the British action may now bring the issue to the fore. [REDACTED]

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Insurgent Activity in Western Panama



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Panama: Small groups of exile supporters of ousted president Arnulfo Arias have crossed the Costa Rican border into western Panama, where they have been joined by local dissidents.

25X1 [redacted] as many as 200 pro-Arias insurgents may be involved. Inhabitants of this mountainous area are strongly antimilitary, and their support for the infiltrators could create a long-term problem for the military government in Panama City. [redacted]

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Arias and his entourage in the US, meanwhile, are continuing to use every opportunity to gain the sympathy of influential US citizens, including government officials. Besides seeking support for an attempt to re-establish himself in power, Arias has made a pitch for an economic squeeze on the junta and has distorted facts to imply that it is Communist-dominated.

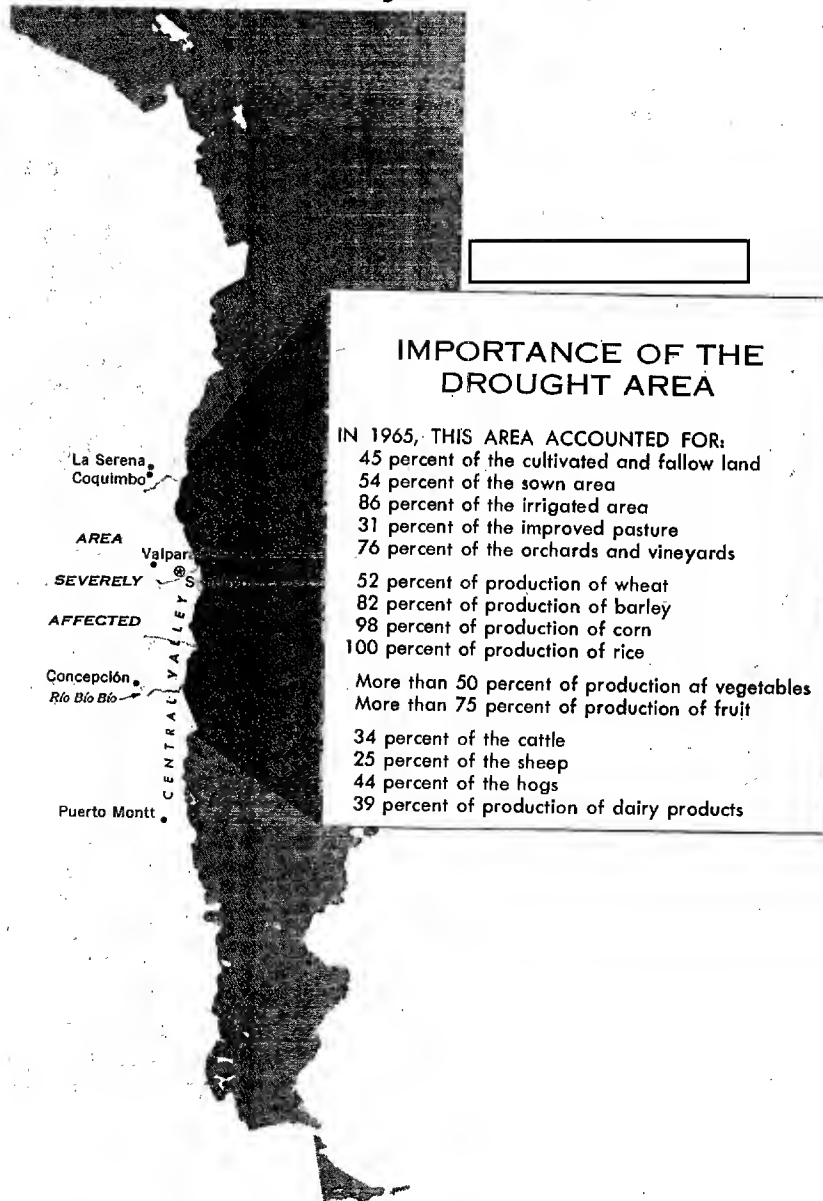
25X1 Actually, no Communists have been put in key positions in the provisional government, but Arias' followers have sought Communist support for a "guerilla" movement and antijunta action in Panama City, [redacted] The only organization capable of disrupting public order, however, would be the Communist-led student federation, which has so far refused to go into the streets against the junta. [redacted]

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Chileans Suffer Worst Drought in 44 Years



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Chile: The worst drought in 44 years will intensify the country's serious economic problems and may increase the political difficulties of the Christian Democratic Party.

The drought probably will cut agriculture production next year by 20 to 30 percent and force a reduction in the output of agricultural processing industries. Other industries will be adversely affected by reduced hydroelectric power supplies. Together, these may reduce gross domestic product per capita in 1969 by as much as ten percent. The drought also will exacerbate Chile's chronic inflation and balance-of-payments problems as well as raise unemployment significantly.

Thus far, the Christian Democratic government of Eduardo Frei has not announced any changes in its programs to cope with the consequences of the drought. Next year's budget allocates to drought relief only the proceeds expected from sales of additional shipments of surplus US agricultural products. Available evidence suggests that Frei intends to rely on the US to assume practically the entire burden of immediate drought relief.

The drought may hurt the Christian Democrats in the elections of 1969-70, unless it can be used successfully as a scapegoat for economic shortcomings. The impact of the drought probably will be at its peak by March 1969, when congressional elections are scheduled.

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NOTES

Rumania - Warsaw Pact: The annual meeting of high-level Warsaw Pact officers, in session at Bucharest since 26 November, is slated to end today. If a final communiqué is issued, it may shed new light on matters relating to Rumania's role in pact affairs, such as holding joint maneuvers on Rumanian soil next year, increasing the size of its army, and standardizing military supply sources. The Rumanian leadership and press have made no comment on the meeting, but some Rumanian diplomats and officials are displaying concern about Soviet intentions.

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Czechoslovakia: An explosion and fire are reported to have destroyed most of the equipment at Czechoslovakia's largest petroleum refinery, the Slovnaft works at Bratislava. This refinery produces most of Czechoslovakia's refined petroleum products. Restoration of the refinery will require at least several months, during which time alternate sources of supply--probably the USSR--must be found.

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